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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 554

POPEIL BROTHERS, INC.,

Petitioner,

vs.

KARL ZYSSET and NEW-NEL KITCHEN PRODUCTS COMPANY,

Respondents.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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FOREWORD

The Petition for Writ of Certiorari is without merit. It half-states facts and half-cites authorities in efforts to sustain points which are completely devoid of merit. It deliberately fails to inform this Court that petitioner petitioned this Court to grant a writ of certiorari on the issue of lia-

bility over three years ago, and that the petition on that issue was denied. It seeks to reargue the same points presented on that previous petition. It omits reference to other proceedings in this case which demonstrate its unconscionable and unjustified behavior in repeatedly and unwarrantedly seeking to frustrate respondents' efforts to enjoy the fruits of the judgment entered in their favor over three and one-half years ago. The failure of petitioner to state fairly the facts, the status and the background of this case require respondents to supply an accurate statement of the case as well as to supply a correct statement of the questions presented.

QUESTIONS PRESENTED.

Petitioner's "Questions Presented" largely ignore the facts of this case and seek review of matters which have been presented to this Court previously and other matters which have not been timely brought to this Court. The questions for this Court's consideration, if this Court's consideration is justified, more accurately stated are:

Where petitioner has wilfully and deliberately infringed a patent and respondents seek an award of damages adequate to compensate them for the infringement, is not the Court of Appeals correct in measuring that award by the amount which petitioner profited from its acts of infringement, as authorized by the decisions of this Court and of the lower courts, as intended by Congress and as sanctioned by statute?

Where petitioner was heard three years ago on a petition for writ of certiorari to this Court from a judgment final on the issue of liability, will this Court reconsider the question of liability on this petition taken from a judgment on the damage issue?

Where petitioner has failed to seek review by this Court from a judgment, will this Court review that judgment on a petition from a separate and distinct judgment?

STATEMENT OF THE CASE.

This patent infringement action was filed on April 29, 1957 in the United States District Court for the Northern District of Illinois and charged petitioner with having infringed the claims of Zysset U. S. Patent No. 2,728,826. As the courts below repeatedly held, the patent and claim 2 thereof are valid and define a combination of elements which cooperate to produce a new and useful result. That combination, as stated by the Court of Appeals, "possessed the 'impalpable something which distinguishes invention from simple mechanical skill.' *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147 . . . ."(1)

On October 3, 1958 having heard evidence on the issues of validity and infringement, the District Court entered its findings, conclusions and judgment holding the patent and its claims to be valid and infringed, enjoining petitioner from continued infringement, and ordering an accounting. 167 F. Supp. 362, 368-9.

Petitioner's acts of infringement were characterized as being "deliberate", "aggravated" and of a "willful nature," 167 F. Supp. 362, 367-9. From that judgment, final except for an accounting,(2) petitioner appealed to the Court

(1) 276 F. 2d 354, 357, reiterated on the appeal from which this petition is taken, 318 F. 2d 701, 704.

(2) Pursuant to 28 USC 1292 (a)(4) Courts of Appeals have jurisdiction of appeals from "judgments in civil actions for patent infringement which are final except for accounting." It is an almost universal practice to try initially the issues of validity and infringement and to have those issues, decided on appeal and reviewed, if appropriate by writ of certiorari prior to an accounting to determine the extent and scope of the damages to which the claimant is entitled.

of Appeals (Appeal No. 12492). However, before the Court of Appeals had an opportunity to consider that appeal, petitioner moved for relief from judgment under Rule 60 (b) of the Federal Rules of Civil Procedure setting forth by affidavit evidence said to be newly discovered. The District Court considered and denied that motion on its merits and petitioner took a further appeal (Appeal No. 12753).

With a full and exhaustive record on the issues of validity and infringement before it, the Court of Appeals was provided with briefs and heard argument, affirming the District Court judgment on February 11, 1960.

Upon a petition for rehearing, and at petitioner's own suggestion[3] the court modified its opinion and order, and reversed the District Court judgment as to claim 1 while it "affirmed as to claim 2 of the Zysset patent 2,728,826 and affirmed in all other respects." 276 F. 2d 354, 359.

Thereafter a petition for writ of certiorari[4] was filed in this Court in which 28 USC 1254 and 2101(c) were invoked as a basis for bringing the final judgment of the Court of Appeals before this Court. On that petition it was argued that claim 2 of the Zysset patent was invalid

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(3) In "Defendant's Petition for Rehearing and Modification", petitioner stated:

> "If the Court is willing to adopt the modifications that we have suggested herein, we believe it would be appropriate to recast the opinion, all in perfect consistency with the basic reasoning of the opinion as it now stands, so as to order that the District Court be affirmed in holding that Zysset's Claim 2 was valid. * * *"

(4) *Popeil Bros.* v. *Karl Zysset*, October Term, 1960, No. 232; denied October 10, 1960.

over the prior art and that the Patent Office had not examined claim 2 sufficiently so that it might stand as the only claim of the patent.(5) The petition, fully briefed by both parties, was denied by this Court on October 10, 1960.

Thereafter and pursuant to the order directing an accounting respondents undertook to produce testimonial and documentary evidence on the issue of the measure of damages to which respondents were entitled. However, on December 29, 1960 petitioner filed a further motion, calling it a motion for mitigation of damages, that is, to let a judgment be entered for nominal damages and to terminate the accounting ordered by the District Court judgment of October 3, 1958. That motion was based upon the same Wilson and McCallay patent No. 207,146 for a "Tobacco Cutting-Machine" (not a chopper) argued to this Court on the first petition for writ of certiorari. That motion was enlarged, on May 4, 1961, to petitioner's second motion for relief from judgment pursuant to Rule 60 (b) based upon so-called "newly discovered evidence." Although it was asserted in December 1960 that the patent was newly discovered, it had been fully known to petitioner for at least six months prior thereto and for at least ten months before the motion was enlarged to one for relief from judgment, as evidenced by the first petition for certiorari.

The District Court denied the motion, whereupon petitioner sought an interlocutory appeal (Appeal No. 13237). That was denied by the Court of Appeals on February 28, 1961. Upon renewal of the motion, the District Court heard

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(5) These points are mentioned because it is the very same points in substance which petitioner now seeks to have this Court reconsider on this petition for writ of certiorari.

evidence and argument from the parties and, on October 25, 1961, it denied the motion and entered findings and conclusions relative thereto. The appeal by petitioner from that order (Appeal No. 13593) was dismissed on January 31, 1962 as being then non-appealable.

Finally respondents were permitted to conclude the taking of testimony and the presentation of documentary proofs relative to the measure of damages "adequate to compensate" them for petitioner's willful and deliberate infringement. The accounting proofs established petitioner's net profits resulting from the infringing activities and demonstrated that respondents were entitled to those profits as the appropriate measure of damages in this case. Petitioner's own affidavits and accounting reports indicated that petitioner's "net profit" before income taxes was $455,293.01 on sales of over $2,981,000.00. While the accounting report indicated that the net profits were $455,293.01 "before income tax," no evidence was adduced to show that as much as a penny in taxes had either been paid or was owing to any governmental body.

It was established that among the items included in the "total costs" deducted to report "net profit" was $109,192.44 paid to petitioner's officers-owners, the Popeils, as compensation to them for directing *the infringing portion* of the business. This was not "salary," but a division of profits. It was also established that another item deducted to arrive at the "net profit" was $42,830.59 for petitioner's attorney fees and expenses in defending this very litigation. Also included in deductions made to arrive at the "net profits," was a "loss" of $29,356.08 for a span of about six months prior to the end of the infringing period, which span was after the District Court trial and at a time when petitioner was disposing

of infringing choppers at drastically cut-rate prices. While respondents accepted petitioner's statement of account which reported "net profit" of $455,293.01, it objected to deductions for distributions to the officer-owners of petitioner, for petitioner's litigation expenses, and for the loss for the six-month span. Those items totalled $181,379.11 which, when added to the reported "net profit," amounted to $636,672.12, the amount of the judgment ordered entered by the Court of Appeals on June 3, 1963.(6)

In addition to establishing petitioner's profits, testimony was also introduced regarding what a reasonable royalty might be in this case and what the established royalty was, the former being the floor beneath which the courts could not go in measuring respondents' award.(7)

Petitioner's own expert witness, former Commissioner of Patents Kingsland, testified that reasonable royalty is a measure of damages in a patent infringement case where others "are not available" and that if there is a profit basis "that is something else again". He stated that one of the reasons why this Court had "validated this idea of reasonable royalty" was that so many cases went off on nominal damages because of the difficulty in "proving profits of the defendant or lost profits of the plaintiff". He stated that under the present statute there is a basis for proving damages which include such items as the profits earned

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(6) Petitioner has not questioned the disallowance by the Court of Appeals of deductions for its expenses in this litigation and the loss reported for the six-month period. It obviously recognizes that this action by the Court of Appeals was correct.

(7) 35 USC 284 provides that "the court shall award the claimant damages adequate to compensate for the infringement, *but in no event less than a reasonable royalty* * * *." [Emphasis supplied]

by a defendant and indicated further that where there are other bases for determining measures of damages they may well be preferable to the reasonable royalty basis.

Although the District Court awarded damages to respondents based upon what it deemed to be a reasonable royalty, it found that petitioner's profits were as reported in the statement of account, that is $455,293.01. The District Court also held that the various items of deduction mentioned above were allowable as deductions from the total profits of $636,672.12.

From the District Court's judgment in the accounting, deemed by respondents to be inadequate to compensate both of them[9] for petitioner's willful, deliberate and aggravated infringement, respondents appealed (Appeal No. 13939) and petitioner cross-appealed (Appeal No. 13940).

On November 5, 1962, after those appeals had been lodged and after respondents' appendix had been prepared and filed, petitioner filed an unprecedented third motion for relief from the judgment of October 3, 1958 pursuant to Rule 60 (b), setting up as "newly discovered evidence" certain Swiss patents. The motion charged respondents with fraud upon the court and upon the petitioner for having failed to disclose the "newly discovered" patents.

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[9] Plaintiff Zysset is the patent owner while plaintiff New-Nel is the exclusive licensee. Plaintiff New-Nel's income was to derive from its exclusive right to manufacture and sell the patented structure, while the plaintiff Zysset was to be compensated by a royalty to be paid to him by New-Nel on each structure. The royalty which plaintiff New-Nel was obliged to pay is greater than the infringer, petitioner, was required by the District Court to pay to compensate *both* plaintiffs. That was quite clearly inadequate.

It appeared from the evidence that in fact the respondent Karl Zysset, instead of failing to disclose such Swiss patents, as wantonly charged by petitioner, had expressly listed in answer to written interrogatories those Swiss patents which were known to him.

Exhibiting great patience, the District Court heard the matter at length upon evidence submitted in open court and upon argument. It denied petitioner's motion, stating "that the evidence alleged in said petition to be newly discovered even if timely presented with exercise of due diligence is not of such nature as to change the Judgment herein."

From that denial, petitioner took still another appeal (Appeal No. 14007). While the Court of Appeals in its judgment of June 3, 1963 also criticized the timeliness of the motion and petitioner's diligence in locating the alleged newly discovered evidence[9], it concurred with the District Court in finding that the so-called newly discovered evidence, as well as the Wilson and McCallay patent relied upon in the second Rule 60 motion, were no better as prior art than that already considered by the courts.[10] Thus it was that on June 3, 1963 the Court of Appeals stated that "In Appeal No. 14007, the judgment order of the District Court entered November 13, 1962, is affirmed."

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[9] Both as to the second and third motions under Rule 60 (b), it appeared to the Court of Appeals that the so-called newly discovered evidence was not sought with the diligence required by Rule 60 (b). 318 F. 2d 701, 704-5.

[10] "But more important we perceive nothing in this newly tendered prior art which requires a change in the original conclusions of law and judgment with respect to the validity of claim 2 * * *." 318 F. 2d 701, 704.

In the accounting appeals, concluding that the District Court had erred, the Court of Appeals directed entry of judgment for respondents in the sum of $636,672.12.

While petitioner sought a rehearing of the judgment of the Court of Appeals in Appeals 13939 and 13940, it did not in Appeal No. 14007. On July 17, 1963, having considered petitioner's briefs and arguments on its petition for rehearing, the Court of Appeals stated as to Appeal Nos. 13939 and 13940: "It is ordered by the Court sitting *en banc* that the petition for a rehearing of this cause filed by Popeil Brothers, Inc., defendant-appellee and cross-appellant be, and the same is hereby, denied."

This petition for writ of certiorari was filed on October 15, 1963. That was 132 days after the judgments of June 3, 1963, clearly more than the statutory 90 day limit in which to file petitions for writs of certiorari.(3) It is to be noted that the petition prays review of "the judgments of the United States Court of Appeals for the Seventh Circuit entered in its causes numbered 13939 and 13940 on June 3, 1963." As such the matters considered on Appeal No. 14007 clearly are not before this Court.

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(3) 35 USC 1254, 2101(c).

REASONS FOR DENYING THE WRIT.

THE COURT OF APPEALS CORRECTLY AWARDED DEFENDANT'S PROFITS TO PLAINTIFFS AS THE ONLY APPROPRIATE AND ADEQUATE MEASURE OF DAMAGES TO COMPENSATE PLAINTIFFS FOR DEFENDANT'S WILLFUL AND DELIBERATE INFRINGEMENT

Upon the accounting ordered by the judgment of the District Court of October 3, 1958, although relentlessly harassed by petitioner's delaying tactics, respondents eventually presented evidence regarding the measure of damages to which they were entitled. Evidence both as to the statutory minimum as well as to other well recognized measures was adduced in open court. When the District Court failed to award them a measure of damages adequate to compensate both of the respondents for petitioner's acts of infringement, respondents appealed. The Court of Appeals agreed with respondents in their judgment of June 3, 1963 from which judgment this petition has been taken.

The controlling statute is 35 USC 284 which provides:

> "§284. Damages.
>
> "Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer . . . ."

The Court of Appeals correctly observed, "The statute prescribes a reasonable royalty as the minimum measure of damages," 318 F. 2d 701, 706. Petitioner's own expert, former Commissioner of Patents Kingsland, testified that a reasonable royalty is merely the "floor or basement"

to be considered only where other measures "are not available."

Such other measures traditionally, as well as under 35 USC 284, and its immediate predecessor, the "1946 Act," have contemplated the profits derived by a defendant from its acts of infringement.[12]

Not only has the case law consistently echoed that view, but so also did Congress indicate the fact to be that the "1946 Act," as the petition agrees at page 19, was re-enacted as 35 USC 284 with but "minor modifications in language in 1952", still contemplated and made available to a plaintiff the profits of the infringer as a recoverable measure of damages. For many years prior to 1946, the governing statute required the allowance of defendant's "profits" to a plaintiff.[13] However, that requirement had bred many problems which in large numbers of cases precluded fair and just compensation for prevailing plain-

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[12] Prior to the 1946 Act (60 Stat. 778, 35 USC 70 (1946 Ed.) —reproduced App. 2a) the statutes governing recoveries in patent infringement suits stated that plaintiffs were entitled to a defendant's "profits" (42 Stat. 392, 35 USC 70 (1940 Ed.))—reproduced at page 1a of petitioner's appendix. In accordance therewith, the courts had consistently indicated that an infringer's profits were a proper measure of damages and this Court so stated in many decisions. See, for example, *Westinghouse Co.* v. *Wagner Mfg. Co.*, 225 U.S. 604, 614.

[13] *Supra* note 12.

tiffs.[14] As such, in 1946 the statute was modified to eliminate the word "profits", but not, as will become clear, the availability of profits as a measure of damages.

When the bill culminating in the "1946 Act" was being considered on the floor of the Senate Senator Pepper stated:

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[14] The many problems which had arisen in attempting to arrive at fair and just awards in infringement litigations under the profits and damages provisions existing prior to 1946 were explained in detail to Congress when it was considering the bills which became the 1946 Act. Some, for example, were due to the difficulty of apportioning damages attributable to infringement of a particular patent where that patent covered only a portion of the infringing structure. Others arose out of the inability of plaintiffs to establish damages and profits where accurate books had not been kept by the infringer, as a result of which plaintiffs frequently were awarded mere nominal damages—certainly an inadequate reward for having made an inventive contribution which had merit enough to be copied and appropriated by an infringer. Mr. Kingsland, defendant's expert witness, testified to that as having been a serious problem.

In 1915 this Court had sanctioned a practice theretofore adopted by some courts where another more appropriate basis was not available, that of determining what the established royalty was, and using the rate thus established as indicative "of the value of what was taken, and therefore as affording a basis for measuring the damages." *Dowagiac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641, 648, 59 L. Ed. 398, 404 (1915). In the event that there was no established fee or royalty rate, then this Court held that a "reasonable royalty" could be proved as a basis for an award to avoid the evil of having no measure available at all.

Thereafter established royalty and reasonable royalty theories were utilized on numerous occasions. However, it still remained the fact that an established or reasonable royalty method could not be used until after it was found that defendant's profits were not ascertainable.

Some 30 years after the *Dowagiac Mfg. Co.* case, Congress enacted, for the first time, a provision which made the recovery of a "reasonable royalty" a statutory right and an optional measure of damages without requiring all others to be exhausted first.

"Let me state what the Bill does:

* * * * * *

"Experience has proved that it is such a difficult accounting matter to determine what the profit of the alleged infringer has been that there is almost always an interminable delay in connection with the recovery sought.

"Consequently, the basis laid down by this bill is general compensatory damages which the plaintiff in the suit sustains. Of course, *that may include profits, but it is not limited to profits; and it is not necessary to prove profits, if the plaintiff does not find it appropriate to do so.*" [Emphasis supplied. 92 Cong. Rec., 9188 (1946)]

On the floor of the House of Representatives, when asked whether the reasonable royalty provision of the pending Bill would not bring about compulsory licensing of patents, Mr. Lanham stated, "The inventor is not limited merely to collecting the royalty," 92 Cong. Rec. 1857 (1946).

Senate Committee Report No. 1503[15] states that "the bill would not preclude the recovery of profits as an element of general damages * * *." Petitioner's abbreviated version at petition page 21 of that Senate Report not only ignores and omits that portion, but by its omission changes the entire meaning of the Committee's statement which makes clear the fact that the reasonable royalty

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[15] 79th Cong., 2d Sess., June 14, 1946; 1946 U. S. Cong. Serv. 1386-7.

measure was to be statutorily available to avoid "complete failure of justice" for plaintiffs, not infringers.[14]

The legislative history of the predecessor to 35 USC 284 was presented to and cited by the Court of Appeals in its judgment.[15]

As a result of the principles repeatedly affirmed by this Court prior to 1946, both pursuant to the case law and pursuant to statute,[16] and as a result of the demonstrated intent of Congress to avoid the very thing petitioner seeks, the compulsory licensing of patents, it is not at all surprising that those principles have been reaffirmed by the courts pursuant to 35 USC 284 and the "1946 Act". Indeed the utilization of an infringer's profits as a measure of damages adequate to compensate for the infringement in appropriate cases has been a frequent occurrence. There-

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[14] Petitioner's selected omissions are italicized as follows

"Frequently a suit for patent infringement involves the infringement of only an improvement in a complex machine, and it is impossible to apportion profits due to the improvement. *In such circumstances the proceedings before masters, which are conducted in accordance with highly technical rules and are always expensive, are often protracted for decades and in many cases result in complete failure of justice [for plaintiffs].*

"*Although the bill would not preclude the recovery of profits as an element of general damages, yet by making it unnecessary to have proceedings before masters and empowering equity courts to assess general damages irrespective of profits, the measure represents proposed legislation which in the judgment of the committee is long overdue.*" [1946 U. S. Cong. Serv. 1387].

[15] 318 F. 2d 701, 707 footnote 9

[16] In patent infringement cases "The wrongdoer must yield the gains begotten of his wrong." *Duplate Corp.* v. *Triplex Safety Glass Co.*, 298 U.S. 448, 457.

fore, rather than conflict and confusion reigning as suggested by petitioner, the case law has been remarkably consistent in stating that a defendant's profits is a proper measure of damages in appropriate patent infringement cases and in using that measure.

In *Graham v. Jeffrey Mfg. Co.*, 253 F. 2d 72, 74 (CA 5, 1958) the court stated:

> "In other words, the profits made by an infringer from his improper use of the infringing device may be the measure of the damages suffered, even though the statute does not prescribe that profits are to be recovered as such."

finally awarding to plaintiffs "the true profit derived by the three defendants from the manufacture and sale of the infringing device."[19]

In *Hartford National Bank & Trust Co. v. E. F. Drew & Co.*, 188 F. Supp. 353, 359-9 (D. C. Del., 1960) the court stated:

> "Before 1946, 35 U.S.C.A., §284 used the word 'profits'. The 1952 subsequent codified version of the patent laws left this out. But, the effect of the elimina-

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[19] See also *Henry Hanger & Display Fixture Corp. v. Sel-O-Rak Corp.*, 270 F. 2d 635, 644 (CA 5, 1959); *International Industries v. Warren Petroleum Corp.*, 248 F. 2d 696, 699 (CA 3, 1957)—the measure of damages is determined by the "benefits, profits, or advantage gained by the defendant."

It is true that the courts have stated that a defendant's profits are not the mandatory measure of damages which they were prior to 1946 and which frequently resulted in the complete failure of justice of which this Court was informed in many cases and of which Congress was informed prior to the passage of the "1946 Act." Nevertheless profits remains a proper measure of damages where they are necessary to adequately compensate for infringement.

tion *was* considered by the Senate Committee on Patents, when it stated: "* * * the bill would not preclude the recovery of profits as an element of general damages * * *." And cases since have held profits of an infringer are a proper factor in considering damages where other measures are not totally adequate. * * *

"Damages may be measured by the defendant's gain [profits] or the plaintiff's loss." [Footnotes omitted].

The Court of Appeals for the Seventh Circuit in cases subsequent to the "1946 Act" has consistently indicated that an infringer's profits should be considered and may be utilized as a measure of damages "adequate to compensate" for a defendant's infringement. *Rie-Wil Co.* v. *E. B. Kaiser Co.*;[20] *National Rejectors* v. *ABT Mfg. Corp.*[21] Petitioner's comments relative to those cases do not detract from the underlying principle that profits are authorized and appropriate under 35 USC 284. In this the cases of the Seventh Circuit are fully consistent with the mainstream of the case law.

Similarly, while it acknowledged that other measures are available under 35 USC 284, the court in *Wm. Bros. Boiler & Mfg. Co.* v. *Gibson-Stewart Co.*, 312 F. 2d 385 (CA

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[20] 179 F. 2d 401, 407. "And whether an infringer's profits is an element of such damages depends upon the facts of each individual case."

[21] 188 F. 2d 706, 709, under the circumstances of that case the infringer's "entire profits belong to plaintiff."

6, 1963) affirmed an award of the infringer's profits as the plaintiff's measure of damages.[22]

In *Coleman Co.* v. *Holly Mfg. Co.*, 269 F. 2d 660 (CA 9, 1959), the court affirmed a judgment awarding plaintiff more than $2,500,000.00 for defendant's infringement, which sum included in excess of $1,450,000.00 for profits lost to plaintiff. While the District Court had found that plaintiff's damages "could be computed on the basis of plaintiff's lost profits or on the basis of defendant's actual profits,"[23] it awarded and the Court of Appeals affirmed the award of plaintiff's lost profits. That amount was $274,000.00 *greater* than defendant's actual profits. Rather than holding that defendant's profits could not be awarded under 35 USC 284, the courts in fact approved an award of damages far in excess of defendant's profits.[24] That is fully consistent with the statute which indicates that an award should be adequate to compensate for defendant's infringe-

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[22] The court stated that there was no good reason "why the gross profits should not be taken into consideration as a measure of damages, in the absence of any other suitable measure," and that "if profits are susceptible of determination, no royalty should be awarded." 312 F. 2d 385, 386. Its award of profits and its language was not, as suggested by petitioner at petition, page 27, unthought-out.

[23] 269 F. 2d 660, 666.

[24] The case of *Laskowitz* v. *Marie Designer*, 119 F. Supp. 541, 555 (SD Cal., 1954), cited by petitioner, also indicates that "The profits of the infringer may be the measure [under 35 USC 284], when no other is adequate" to compensate for the infringement. Petitioner's brief staetment with respect to that case at page 22 is obviously incomplete.

And, since both the patentee and the exclusive licensee are and have been joint plaintiffs in this case, *supra* note 8, the case of *Faulkner* v. *Gibbs*, 199 F. 2d 635 (CA 9, 1952), cited at petition, page 22, is simply inapposite.

ment. The courts in the *Coleman* case obviously concluded that defendant's profits were insufficient to compensate plaintiff.

The fact is that the cases cited by petitioner show no basic conflict or confusion among the federal courts with respect to the propriety of using defendant's profits as a measure of damages. The judgment of the Court of Appeals in this case is consistent with the case law and with the statute.

As has been stated by this Court "Where the infringer has sold or used a patented article, the plaintiff is entitled to recover all of the profits." *Westinghouse Co.* v. *Wagner Co.*, 225 U.S. 604, 614. In this very case proof of petitioner's profits resulting from its infringement were established with certainty, indeed by petitioner's own admissions. There was no evidence that any part of the profits derived from petitioner's sale of infringing food choppers was the result of any element in the product other than the overall combination as expressly claimed in claim 2 of the Zysset patent. Contrary to petitioner's contentions made to the Court of Appeals and repeated here, there was and is no basis for apportioning profits between a non-infringing and an infringing portion of the food choppers held to infringe since it was the combination as a whole as set forth in the claim, and nothing else, which petitioner utilized.[25]

At page 29 petitioner refers to several decisions of this Court relating to so-called apportionment of profits. We have no quarrel with the rule of law which states that in-

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[25] 318 F. 2d 701, 704.

sofar as profits from infringing sales are attributable to patented structures they belong to plaintiff and insofar as they were due to other structures or devices they belong to defendant. However with respect to the respective burdens of the parties, petitioner at page 29 has not fairly represented this Court's views in cases such as *Westinghouse Co.* v. *Wagner Co.*, 225 U.S. 604, 615. A reading of the full statement of principles from which petitioner quotes but an excerpt makes it clear that the burden is upon petitioner here to show that its profits are attributable to something other than its acts of infringement. Since it has not carried that burden, as indeed it could not in view of the facts of this case, respondents are entitled to the entire profits.[26]

Here, where it is crystal clear that every element of the infringing food choppers is defined in valid claim 2 of the Zysset patent, and where there is no evidence that any portion of petitioner's admitted profits was attributable to other parts or features of its structures, petitioner's contentions with respect to apportionment are simply unfounded and out of place. The inability of petitioner to carry its

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[26] That portion of the statement of governing principles set forth in *Westinghouse Co.* v. *Wagner Co.*, 225 U.S. 604, 614, and which petitioner omitted, are as follows:

"(a) Where the infringer has sold or used a patented article, the plaintiff is entitled to recover all of the profits.

"(b) Where a patent, though using old elements, gives the entire value to the combination, the plaintiff is entitled to recover all the profits. *Hurlbut* v. *Schillinger*, 139 U.S. 456, 472.

"(c) Where profits are made by the use of an article patented as an entirety, the infringer is liable for all the profits 'unless he can show—and the burden is on him to show—that a portion of them is the result of some other thing used by him.' *Elizabeth* v. *Pavement Co.*, 97 U.S. 127."

burden because the facts would not support its burden cannot be twisted to suit petitioner's convenience.

Petitioner has seized upon a finding of the District Court, unsupported by the evidence, which characterizes petitioner's infringement as "a blessing in disguise." Petitioner has sought to use this as a basis for minimizing its liability to respondents. It is clear that petitioner's willful, deliberate and aggravated infringement, which was characterized by price cutting to the point where petitioner was selling infringing devices below cost, which infringement deprived both of the respondents of the opportunity to benefit from the patent as they were entitled to do under the law, was hardly a "blessing in disguise" to respondents. The evidence simply did not support the finding and the Court of Appeals correctly summarized the facts at 318 F. 2d 701, 707-8, demonstrating that it was not the so-called "salesmanship" of the petitioner which brought about petitioner's financial success. In any event, the court observed, "the defendant's financial 'success' in reaping profit as an infringer does not in our opinion afford a basis for relegating the plaintiff to a recovery of but the statutory minimum measure of damages—a reasonable royalty." This is clearly consistent with the views of this Court expressed in *Duplate Corp.* v. *Triplex Safety Glass Co.*, 298 U.S. 448, 457, where Justice Cardozo stated:

> "An infringer cannot be heard to say that his superior skill or intelligence to realize profits by his infringement which a person of less skill might not have realized. [Citing cases] * * *. Whatever is at his call in the service of the enterprise—brawn and intelligence, factories and lands, patents and machinery—will be viewed upon an accounting as if held upon a quasi-trust to contribute what it can to the profits of the business. The wrongdoer must yield the gains begotten of his wrong."

The Court of Appeals' utilization of the defendant's profits as the measure of damages adequate to compensate the respondents was clearly consistent with the statute, with the case law and with the demonstrated intent of Congress. Its holding that the reasonable royalty award made by the District Court was inadequate was clearly correct both on the law and on the facts.

One point, especially important here, and conveniently ignored by petitioner is that there are two plaintiffs in this case.[27]

Plaintiff Zysset, the patent owner, granted an exclusive license to plaintiff New-Nel Kitchen Products Co. New-Nel, became fully equipped to, and did in fact, manufacture structures under the patent. The income of plaintiff New-Nel was to be derived from its manufacturing operation upon which it was obliged to pay a royalty to Zysset. The royalty New-Nel was obligated to pay was greater than what the District Court ordered petitioner to pay *both* plaintiffs. Hence, the District Court judgment would not have compensated even one of the plaintiffs for the infringement.[28]

Where, as here, both the patent owner and his exclusive licensee have jointly sought relief, the statutory minimum is a particularly inappropriate measure of damages. It is obvious that the Court of Appeals was aware of that relationship of the parties to this action when it

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[27] *Supra* note 8.

[28] When these facts are understood and when it is appreciated that the judgment for profits takes from petitioner only that which it gained from its infringement and nothing from its other business activities, it is clear that the judgment is not at all excessive. In fact, to award less would be a "monstrous injustice" to respondents Cf. petition, page 35.

concluded that the reasonable royalty measure adopted by the District Court was simply inadequate.

Because the District Court failed to utilize the proper standards in determining the appropriate measure of damages, the Court of Appeals was required to reverse the District Court.

Since the record was full and complete on petitioner's profits and included findings thereon, it was unnecessary for the Court of Appeals to remand the case to the District Court. Therefore, the Court of Appeals merely directed the entry of judgment for the respondents in the amount of petitioner's profits. That action was fully consistent with the court's role as a reviewing court.

THE COURT'S REFUSAL TO ALLOW DEDUCTIONS FOR INCOME TAXES WHICH WERE NOT SHOWN TO BE PAID AND FOR THE OFFICER-OWNER'S SALARIES WAS CORRECT

Petitioner's statement at page 33 that the Court of Appeals refused "to allow any deduction for income taxes paid by defendant" is absolutely false. There is no evidence which shows petitioner paid anything in taxes to any governmental body.[29]

The findings in this case clearly indicate that petitioner's infringement was "willful," deliberate and aggravated. By petitioner's own admission, income taxes are not deductible

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[29] While the District Court said "The court takes judicial notice * * * that the defendant * * * is a corporation subject to corporate taxes which reduced the amount [of profits] accordingly," there is nothing to show that taxes in fact were paid although petitioner had the opportunity to show that if it could.

"where the infringement is wiliful".[30] On the facts and on the law, therefore, the Court of Appeals was correct in refusing to allow any deduction for income taxes from petitioner's profits.

Petitioner is closely held. It is wholly owned and its activities are directed by three members of the Popeil family, the gains of petitioner's business accruing directly and solely to them. The amount withdrawn by the Popeils became so great toward the end of the period of infringement that petitioner began to show losses on its sales of infringing products. Particularly in view of the "willful nature" of the infringement, the Court of Appeals was absolutely correct in holding that the profits withdrawn by the three Popeils who directed the infringement were not proper items of deduction from petitioner's net profits. The cases clearly support the court. *Graham* v. *Jeoffrey Mfg. Co.*, 253 F. 2d 72, 76 (CA 5, 1958) and *Flat-Slabs Patents Co.* v. *Turner*, 285 Fed. 257, 283 (CA 8, 1922).[31]

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[30] Petition, page 33. See cases cited by petitioner on that point. It is to be noted that in any event deductions are only allowable where taxes are actually paid. No evidence of the payment of any taxes appears of record.

[31] The cases cited by petitioner are quite clearly different. In *Stromberg Motor Devices Co.* v. *Zenith-Detroit Corp.*, 73 F. 2d 62 (CA 2, 1934), an opinion written by Judge Manton and dissented from by Judge L. Hand, the corporate president appeared to be a mere employee and not the owner of the corporate business. In *Clair* v. *Kastar*, 70 F. Supp. 484 (SD NY, 1946), the court allowed a deduction for salaries because they did not seem to be excessive and because it affirmatively appeared that the salaries did not appear to be distributions of "profits in disguise".

Here, quite clearly, defendant's "salaries" were excessive and were obviously distributions of profits in disguise (resulting in a substantial loss for one six-month period during the period of infringement). This Court in the case of *Providence Rubber Co.* v. *Goodyear*, 76 U.S. 788, 803 has indicated its disapproval of the distribution to managing officers of profits in disguise.

PETITIONER'S ARGUMENTS CONCERNING THE VALIDITY OF CLAIM 2 ARE NOT PROPERLY BEFORE THIS COURT AND ARE DEVOID OF MERIT.

Petitioner's tactics in this case to date have resulted in a complete failure of justice for respondents who have as yet been unable to recover upon a judgment affirmed by the Court of Appeals almost four years ago. Petitioner has taken six appeals and has filed an unheard of three motions for relief under Rule 60(b) each being based upon different so-called newly discovered evidence.[32] In each instance, though petitioner's diligence has been clearly suspect, the courts below patiently considered the motions on their merits, each time indicating that the newly proffered evidence did not alter their previous conclusions.

In 1960 petitioner filed a petition for writ of certiorari. That petition was filed after petitioner's first two appeals, those relating to the validity and infringement issues, were decided by the Court of Appeals and after the first Rule 60(b) motion was decided. It presented for this Court's consideration matters said to bear upon the validity of claim 2. That petition was denied on October 10, 1960.

No citation of authority is necessary to state that there must be an end to litigation. As difficult as it may be for a party to believe that it has lost, if the judicial process is to be workable, then adherence to the judgments and decrees of the courts, to the Acts of Congress and to the Rules of the courts must be observed. Petitioner has had much more than its day in court, in the courts below as well as in this Court on the issue of the validity of claim 2 of the patent.

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[32] This practice could be repeated indefinitely and if sanctioned could result in a situation where patents, as a practical matter, became unenforceable.

Therefore, insofar as the instant Petition raises points which were raised or which might have been raised in the first Petition to this Court, in accordance with 28 USC 2101(c) and with the prior decisions of this Court, those points should not be reconsidered. See *Toledo Scale Co.* v. *Computing Scale Co.*, 261 U.S. 399, 417-18.

On the first Petition, the Wilson and McCallay patent U. S. Patent No. 207,146, was brought to the attention of this Court. It is argued again, although not by name, as one of the reasons why the courts below were in error. It should not be considered again on this Petition.

As noted above, on its petition for rehearing before the Court of Appeals in 1960, petitioner induced that court to revise its judgment to affirm the District Court as to claim 2 only.(33) Immediately thereafter it attacked that claim in this Court as having been allowed "without independent examination," and as establishing a new "method of obtaining a patent monopoly *ab initio* from the courts."(34) Those contentions, of course, were patently erroneous, as was demonstrated in respondents' opposing brief. The same argument in substance is presented in the instant Petition at pages 14 to 17 where petitioner argues that a claim has been allowed which the Patent Office rejected. It is true that the Patent Office Examiner first rejected the claims of the Zysset application. That is done in at least 99% of the patent applications filed in the Patent Office. However, upon reconsideration to which applicants are entitled under the statute, 35

(33) *Supra* note 3.

(34) *Supra* note 4; first petition, pages 5 and 7.

USC 131, 132, the Examiner *allowed* both claim 1[35] and dependent claim 2 and the patent issued. There was no necessity for an appeal, as petitioner misleadingly suggests at page 17, for appeals are only taken from *repeated* refusals of an Examiner to allow claims, 35 USC 134.[36] The effect of petitioner's argument would automatically invalidate almost every claim of every patent which has ever been issued for it is the fact that at one time or another almost every patent claim has been rejected by the Patent Office, the rejection having been withdrawn in the case of each claim found in an issued patent.[37]

In no sense have the courts below sustained the patent in any manner inconsistent with what the Patent Office "experts"[38] did. The Patent Office allowed claim 2 as authorized by statute and pursuant to the Patent Office Rules of Practice only after examining those claims, and each of them, as required by statute, 35 USC 131. The courts found that the Patent Office had been correct in that allowance. The extract[39] from, and the case of *Securities & Exchange Commission* v. *Chenery Corp.*, 332 U.S. 194, are simply inapplicable here.

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(35) That claim 1 was subsequently found invalid has no bearing upon the validity of claim 2, see, for example, *Leeds & Catlin* v. *Victor Talking Machine Co.*, 213 U.S. 301, 319.

(36) "An applicant * * * whose claims * * * [have] been twice rejected, may appeal from the decision of the primary examiner to the Board of Appeals * * *."

(37) Nowhere has petitioner ever contended that claim 1 was automatically invalid because its predecessor was once rejected. That its contention with respect to claim 2 is mere argument, devoid of merit, is quite obvious.

(38) Cf. petition, page 17.

(39) Petition, pages 16 and 17.

The only other patents which petitioner added since the first Petition to this Court were several Swiss patents listed in its *third* motion under Rule 60(b). The Court of Appeals entered its judgment concerning those patents on June 3, 1963, pursuant to petitioner's Appeal No. 14007. Petitioner did not seek a rehearing in that Appeal and has *not* sought to have this Court review that judgment, petition, page 1. In fact it could not since this Petition was filed on October 15, 1963 more than ninety days subsequent to the judgment of June 3, 1963.[40] The Galant and Hoffman patents[41] brought to the Court of Appeals on Appeal No. 14007, are not before this Court.

It is clear, therefore, that there is no question concerning the validity of claim 2 which is before this Court because the points raised by petitioner either were considered in petitioner's 1960 Petition or were raised in an appeal which petitioner has not asked this Court to review.

In any event, the District Court and the Court of Appeals on the numerous occasions this case has been brought before them by petitioner, have repeatedly and consistently reaffirmed their belief and conviction in the validity of claim 2. The courts below have correctly considered claim 2 to incorporate by reference all of the elements recited in claim 1. With that petitioner agrees.[42] It is that overall combination which petitioner appropriated and which defined patentee's inventive contribution. The courts have considered all of the so-called newly discovered evidence and have found

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[40] See 28 USC 1254, 2101(c) and *Toledo Scale Co.* v. *Computing Scale Co.*, 261 U.S. 399, 417-18.

[41] Petition, page 13.

[42] Petition, page 5.

each time that the evidence did not anticipate the new, useful and inventive contribution of the patentee.

The Court of Appeals was correct on the facts and on the law governing patentability when it stated:

> "Contrary to the interpretation defendant seeks to place on *Zusset* v. *Popeil Brothers, Inc., supra*, upon which faulty premise defendant bases the relevancy of its newly cited prior-art references, it is abundantly clear that it is the single-piece sinuous blade in combination with the sinuous slot of the wiper cup, the housing, indexing feature and torsion clutch, all of which are included in claim 2, which was held to constitute patentable invention. It is the *combination* which was held valid and infringed—not any particular element thereof, *per se*. In *Zusset* v. *Popeil Brothers, Inc.*, it was pointed out (276 F. 2d 354 at 357, 124 USPQ 250, 252) that the sinuosity of the blade and slot in the wiper cup was an important element in the "combination claimed in the patent" and that:
>
> > 'It eliminated the problem of particles wedging between multiple blades without loss of the advantage of the additional chopping surfaces, and in *combination* with the indexing feature produced a result beyond that of mere mechanical improvement over existing art. A novel idea was incorporated. While it took mechanical skill to adapt the idea to practical use, and although the mechanics employed may have been obvious, the idea was not. It possessed the 'impalpable something which distinguishes invention from simple mechanical skill.' *Great Atlantic & Pacific Tea Co.* v. *Supermarket Equipment Corp.*, 340 U.S. 147, 71 S. Ct. 127, 129, 95 L. Ed. 162, 87 USPQ 303, 305.' (Emphasis supplied.) [318 F. 2d 701, 704]."

CONCLUSION

An unconscionable delay in the recovery of damages adequate to compensate respondents for petitioner's willful and deliberate infringement has resulted from petitioner's repeated and unjustified petitions, appeals and Rule 60(b) motions. This cause was brought to this Court by petitioner three years ago on the judgment, final except for an accounting and final on the issue of liability. That petition was denied.

Petitioner now seeks to reopen judgments and other matters which, in accordance with the law, have become final and which, in the interest of justice and in accordance with the *desideratum* that all litigation must come to an end, should not be reviewed.

The patent is valid. It was deliberately infringed. The judgment of the Court of Appeals on the issue of damages was correct and consistent with the statutory and case law. There is nothing in this case or in the petition which merits this Court's consideration.

The petition for writ of certiorari should be dismissed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that the foregoing Brief was served by mailing copies of the same to Messrs. George B. Christensen, 38 South Dearborn Street, Chicago, Illinois 60603, Dugald S. McDougall, 135 South LaSalle Street, Chicago, Illinois 60603 and Jay Erens, 100 South Wacker Drive, Chicago, Illinois 60606, attorneys for Petitioner, this 21st day of November, 1963.

/s/ ALBIN C. AHLBERG